

VZCZCXYZ0011
OO RUEHWEB

DE RUEHC #4841 2201626
ZNY SSSSS ZZH
O 071620Z AUG 08
FM SECSTATE WASHDC
TO RUEHBJ/AMEMBASSY BEIJING IMMEDIATE 0000
RUEHRL/AMEMBASSY BERLIN IMMEDIATE 0000
RUEHDO/AMEMBASSY DOHA IMMEDIATE 0000
RUEHLO/AMEMBASSY LONDON IMMEDIATE 0000
RUEHMK/AMEMBASSY MANAMA IMMEDIATE 0000
RUEHFR/AMEMBASSY PARIS IMMEDIATE 0000
RUEHRO/AMEMBASSY ROME IMMEDIATE 0000
RUEHTV/AMEMBASSY TEL AVIV IMMEDIATE 0000

S E C R E T STATE 084841

SIPDIS

E.O. 12958: DECL: 04/15/2033
TAGS: [ECON](#) [EFIN](#) [IR](#) [KNNP](#) [PARM](#) [PTER](#) [PINR](#)
SUBJECT: IRANIAN PROLIFERATION-RELATED FINANCIAL
TRANSACTIONS WITH SYRIA AND OTHERS

Classified By: Classified by: ISN Patricia A. McNerney
for reasons 1.4 (b) and (d).

11. (U) This is an action request. Please see paragraph 3.

SUMMARY/BACKGROUND

12. (S) We are increasingly concerned about financial transactions between Syrian and Iranian WMD proliferation entities and want to alert addressees to transactions that may be occurring in their jurisdictions. Press reporting indicates that Iran and Syria have agreed to set up a joint bank in Damascus that will be 49 percent owned by Bank Saderat, with the rest owned by Syria. Bank Saderat was named in UNSCR 1803 and the U.S. designated Bank Saderat on October 25, 2007 as a terrorist financier. Jurisdictions should be extremely wary of conducting transactions with this new bank, which may be facilitating terrorism or proliferation. We are also concerned about Iran's desire for increased cooperation with Venezuela and its pursuit of new financial relationships in jurisdictions it perceives as having more relaxed financial controls. In this regard, we request that addressees exercise vigilance over the activities of financial institutions in their territories with all Iranian banks, in particular Bank Melli and Bank Saderat, and subject branches or subsidiaries of Iranian banks in their jurisdictions to enhanced monitoring and regulatory controls. These efforts are called for in UNSCR 1803 and are appropriate given the recent Financial Action Task Force (FATF) statements regarding Iran's lack of a comprehensive anti-money laundering/ combating the financing of terrorism (AML/CFT) regime.

OBJECTIVE/ACTION REQUEST

13. (S/REL BAHRAIN, GERMANY, FRANCE, ISRAEL, UK, QATAR, CHINA, ITALY) Washington requests Posts deliver the non-paper in paragraph 4 to appropriate host government officials in the ministries of foreign affairs and finance. Post should pursue the following objectives:

-- Inform jurisdictions that the U.S. believes financial transactions with Syrian banks and entities pose a significant risk of facilitating proliferation related to Syria's or Iran's nuclear or missile programs or terrorist activities.

-- Note that jurisdictions should, consistent with UNSCR 1803, prohibit all transactions involving any dual-use

technology going to or from Iran and establish reporting and/or licensing requirements for all transactions involving Iranian banks.

-- In light of the fact that Iran is engaging in financial practices designed to circumvent sanctions, it would be prudent for jurisdictions to take a broad interpretation of the call for vigilance contained in UNSCR 1803 and statements by the FATF.

NONPAPER FOR BAHRAIN, GERMANY, FRANCE, ISRAEL, UK, QATAR,
CHINA, ITALY

14. (SECRET//REL BAHRAIN, GERMANY, FRANCE, ISRAEL, UK, QATAR, CHINA, ITALY) BEGIN POINTS FOR BAHRAIN, GERMANY, FRANCE, ISRAEL, UK, QATAR, CHINA, ITALY:

IRAN-SYRIA FINANCIAL ACTIVITIES

-- We would like to raise serious concerns regarding Syrian and Iranian financial activities in your jurisdiction as well as links by Iran to other jurisdictions in an effort to avoid the impact of sanctions.

-- The United States has information that Syria and Iran, from mid-2006 to at least mid-2007, transferred millions of dollars in payments associated with Syria's weapons and dual-use procurements from Iran. Both countries used front companies, intermediaries and non-dollar currencies to move money and circumvent export controls.

-- We believe Iran continues to use deceptive practices such as these to facilitate its proliferation-related activities.

-- Since 2006, when Syria and Iran decided to forego use of the U.S. dollar for some foreign transactions, proliferation- and weapons-related Syrian and Iranian entities have conducted a majority of identified transactions using Euros.

-- In response to most of the larger European financial institutions reducing or severing ties with Iran, Syria and Iran have used smaller European banks to route payments. They are also working to set up or purchase banks in jurisdictions they may judge are less susceptible to U.S. financial pressure.

-- Last year, European banks' scrutiny of their relationships with Syrian and Iranian entities of concern led several major Euro-clearing banks to diminish or halt business with both countries, according to Western press reports.

IRAN-SYRIA BANKING COOPERATION

-- As a result of these actions, over the last year, Syria and Iran have taken strategic steps to insulate their banking networks and financial payments from international scrutiny.

-- The Iranian Foreign Ministry and Bank Markazi Iran were proceeding with plans in late January 2008 to establish a joint Iranian-Syrian bank in Damascus. We believe this will greatly enhance both sides' ability to facilitate proliferation-related payments.

-- Press reporting indicates that this bank will be 49 percent owned by Bank Saderat, with the rest owned by Syria. It is likely that this bank will be used to evade sanctions or to facilitate terrorism or proliferation. Jurisdictions should be extremely wary of conducting transactions with this new bank.

-- Representatives from the Commercial Bank of Syria and a number of Iranian banks including Bank Saderat Iran, Bank Sepah and Bank Mellat Iran also planned in January 2008 to establish a committee to investigate ways to increase Iranian-Syrian banking cooperation.

-- The U.S. Department of Treasury Financial Crimes Enforcement Network (FinCEN) issued an advisory on March 20, 2008, stating that, through state-owned banks, Iran disguises its involvement in proliferation and terrorism activities through an array of deceptive practices specifically designed to evade detection. The advisory stated that the U.S. Department of the Treasury is particularly concerned that Iran's Central Bank, Bank Markazi, may be facilitating transactions for sanctioned Iranian banks. The advisory can be found on the web at www.fincen.gov/fin-2008-a002.pdf.

-- The U.S. Department of Treasury on May 11, 2004, designated the Commercial Bank of Syria as an entity of primary money laundering concern under Section 311 of the USA PATRIOT Act. On October 25, 2007, the United States designated Bank Saderat under U.S. Executive Order 13224 for providing support for the terrorist organizations Hizballah and Hamas. Bank Sepah was designated as subject to an asset freeze by the United Nations Security Council in resolution 1747 (March 2007) for its involvement in Iran's ballistic missile activities. Bank Saderat and Bank Melli were specifically mentioned in UNSCR 1803's call on states to exercise vigilance over activities of financial institutions in their territories with all banks domiciled in Iran and their branches and subsidiaries abroad.

IRANIAN FINANCIAL ACTIVITIES WITH OTHER COUNTRIES

-- In addition to the Iran-Syria links, in September 2007, Iran's Ministry of Foreign Affairs instructed commercial banks in Iran to explore the purchase of controlling interests in banks in other countries such as China, Vietnam, and Malaysia; and the establishment of branches in Turkey, the UAE, and Ukraine.

-- Bank Mellat was looking into the purchase of banks in China, Malaysia and Vietnam. Bank Mellat was designated by the United States under U.S. Executive Order 13382 on October 25, 2007 for providing banking services in support of Iran's nuclear entities, namely the Atomic Energy Organization of Iran (AEOI) and Novin Energy Company, both of which were designated under UNSCRs 1737 and 1747, respectively, as well as by the United States under E.O. 13382.

-- Bank Maskan Iran (Housing Bank of Iran) was looking into setting up bank branches in Turkey, the UAE, and Ukraine.

-- Venezuela has repeatedly expressed its support for Iran's nuclear program and its opposition to any international sanctions.

-- In mid-2007, Venezuela and Iran were working to set up a bank in Venezuela, principally for bilateral development purposes between the two nations. The bank, Banco Internacional de Desarrollo became operational in the beginning of 2008.

-- Iran and Venezuela also announced in May 2008 that they will establish a bank to be based in Iran with an initial capital base of 1.2 billion dollars to finance development projects, according to publicly available information.

-- Iranian President Ahmadi-Nejad and Venezuelan President Chavez announced, on 13 January 2007, that they were creating a \$2 billion "heavy-duty strategic fund" to liberate themselves from the West. As of mid-January 2007 the strategic fund was meant for joint investments in friendly nations in Latin America and Africa.

-- We are concerned that any financial transactions occurring between Iran and Venezuela outside the international financial system will escape controls put in place to prevent proliferation, terrorist financing, money laundering and other illicit activities.

EXERCISE INCREASED VIGILANCE

-- We urge you to exercise increased vigilance with respect

to financial transactions with Syrian banks and entities as well as other third country banks that link back to Iran, as such activities pose a significant risk of facilitating proliferation-related transactions to Syria's or Iran's nuclear or missile programs.

-- We urge you, consistent with UNSCR 1803, to prohibit all transactions involving any dual-use technology to or from Iran and establish reporting and/or licensing requirements for all transactions involving Iranian banks.

-- In light of the fact that Iran is engaging in financial practices designed to circumvent sanctions, we note that it would be prudent for jurisdictions to take a broad interpretation of the call in UNSCR 1803 for vigilance over the activities of financial institutions in your territory with banks domiciled in Iran and related statements by the FATF.

-- We look forward to working with you on this issue and other related security and counter-proliferation matters and are prepared to provide additional assistance as appropriate.

END POINTS FOR BAHRAIN, GERMANY, FRANCE, ISRAEL, UK, QATAR, CHINA, ITALY.

REPORTING DEADLINE

15. (U) Posts should report results within seven days of receipt of cable. Please slug replies for ISN, INR, T, Treasury, NEA, EUR and EAP. Please include SIPDIS in all replies.

POINT OF CONTACT

16. (U) Washington point of contact for follow-up information is Michelle New, ISN/CPI, (202) 647-0186, or newml@state.sgov.gov.

17. (U) Department thanks Posts for their assistance.
RICE